

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Township of Keeler</u>	County Van Buren
Audit Date March 31, 2005	Opinion Date July 19, 2005	Date Accountant Report Submitted To State: September 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 511 Renaissance Drive, Suite 120	City St. Joseph	State MI	ZIP 49085
Accountant Signature 			

Township of Keeler, Michigan Van Buren County

**Financial Report
with Supplemental Information
March 31, 2005**

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Township of Keeler

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Independent Auditor's Report

To the Members of the Township Board
Township of Keeler, Michigan

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the Small Cities Fund of the Township of Keeler, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township of Keeler, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the Small Cities Fund of the Township of Keeler, Michigan as of March 31, 2005 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the required supplemental information are not a required part of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

As described in Note 10 to the financial statements, the Township of Keeler board adopted the provisions of Governmental Accounting Standards Board No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

Plante & Moran, PLLC

July 19, 2005

A member of



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Township of Keeler

Management's Discussion and Analysis

Our discussion and analysis of the Township of Keeler, Michigan's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in the management's discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2005:

- The Township's total net assets increased by \$48,500, even with a decrease in state-shared revenue of almost \$9,500. We anticipated a reduction in the range of 9 percent to 13 percent from previous years when preparing next year's budget.
- Township funds are mainly derived from state-shared revenue and property tax collections. Undesignated General Fund fund balance decreased by approximately \$52,000, mainly due to slightly lower revenue and increased road improvement expenditures.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Keeler

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2005. In future years, when prior year information is available, comparative data will be presented.

	<u>Governmental Activities</u>
Assets	
Current assets	\$ 857,582
Noncurrent assets	<u>9,082,638</u>
Total assets	9,940,220
Liabilities	
Current liabilities	74,674
Long-term liabilities	<u>4,102,000</u>
Total liabilities	<u>4,176,674</u>
Net Assets	
Invested in capital assets	222,606
Restricted	3,779,298
Unrestricted	<u>1,761,642</u>
Total net assets	<u><u>\$ 5,763,546</u></u>

Governmental net assets increased by approximately \$49,000 during the fiscal year ended March 31, 2005. The Township's overall financial health remains strong. The Township has been able to pursue projects as planned and budgeted.

Township of Keeler

Management's Discussion and Analysis (Continued)

The following table shows, in a condensed format, the changes of the net assets during the current year. In future years, when prior year information is available, comparative data will be presented.

	Governmental Activities
Revenue	
Program revenue:	
Charges for services	\$ 45,906
Capital grants and contributions	266,007
General revenue:	
Property taxes	292,006
State-shared revenue	174,497
Unrestricted investment earnings	5,746
Miscellaneous	52,984
Total revenue	837,146
Program Expenses	
General government	189,541
Public safety	165,270
Interest on long-term debt	172,373
Other	261,458
Total program expenses	788,642
Change in Net Assets	\$ 48,504

Township of Keeler

Management's Discussion and Analysis (Continued)

Governmental Activities

- The Township spent \$182,872 on street improvement projects including seal coating almost eight miles of roads and adding over 5,000 cubic yards of gravel to existing gravel roads.
- The Township spent \$39,646 on capital assets, the majority of which was public safety equipment. The Township purchased a pickup truck and a slide-in-grass rig to replace the DNR grass rig jeep that was over 40 years old and was taken out of service.

General Fund Budgetary Highlights

The General Fund pays for most of the Township's governmental services. The primary services provided include police and fire services, administrative services, and various public services.

As shown in the required supplemental information, the Township originally budgeted operational expenditures of \$741,824. During the course of the year, the Township amended the budget and budgeted expenditures of \$838,340. Actual operating results ended up as a deficit of \$52,409. Budget to actual differences were favorable in most activities.

Capital Asset and Debt Administration

The Township continued making payments on general obligation bonds incurred to construct a sanitary sewer system.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for the next fiscal year reflects another decrease in state-shared revenue. Current economic conditions in the state of Michigan have put statutory revenue sharing at risk of being reduced. The board has adopted a conservative budget that retains current fund balance, but also facilitates community priorities and quality services.

The Township has also planned a number of other projects including seal coating of county roads within the Township using both Township and County funds.

New computers are needed for both the treasurer and supervisor for the changes that are being made for the assessor and the printing of tax bills.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township clerk.

Township of Keeler

Statement of Net Assets March 31, 2005

	Governmental Activities
Assets	
Cash and cash equivalents (Note 4)	\$ 774,567
Delinquent taxes receivable	83,015
Special assessments receivable	3,657,928
Capital assets - Net (Note 5)	222,606
Investment in joint venture (Note 9)	5,202,104
	<hr/>
Total assets	9,940,220
Liabilities	
Accounts payable	22,292
Due to other governmental units	52,382
Long-term debt (Note 7):	
Due within one year	256,375
Due in more than one year	3,845,625
	<hr/>
Total liabilities	4,176,674
Net Assets	
Invested in capital assets - Net of related debt	222,606
Restricted for joint venture debt repayment	3,657,928
Restricted for public purposes	121,370
Unrestricted	1,761,642
	<hr/>
Total net assets	<u><u>\$ 5,763,546</u></u>

Township of Keeler

Statement of Activities Year Ended March 31, 2005

					Net (Expense) Revenue and Changes in Net Assets
		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs					
Primary government:					
General government	\$ 196,810	\$ 45,906	\$ -	\$ -	\$ (150,904)
Public safety	202,057	-	-	-	(202,057)
Public works	197,037	-	-	-	(197,037)
Economic development	10,143	-	-	-	(10,143)
Cemetery	10,222	-	-	-	(10,222)
Interest on long-term debt	172,373	-	-	-	(172,373)
Total governmental activities	<u>\$ 788,642</u>	<u>\$ 45,906</u>	<u>\$ -</u>	<u>\$ -</u>	(742,736)
General revenues:					
Property taxes					292,006
State-shared revenues					174,497
Unrestricted interest income					5,746
Interest on special assessments					204,342
Investment in joint venture					61,665
Miscellaneous					52,984
Total general revenues					<u>791,240</u>
Change in Net Assets					48,504
Net Assets - Beginning of year					<u>5,715,042</u>
Net Assets - End of year					<u>\$ 5,763,546</u>

Township of Keeler

Governmental Funds Balance Sheet March 31, 2005

	General Fund	Small Cities Fund	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 4)	\$ 702,976	\$ 71,591	\$ 774,567
Delinquent taxes receivable	83,015	-	83,015
Special assessment receivable	3,657,928	-	3,657,928
Total assets	<u>\$ 4,443,919</u>	<u>\$ 71,591</u>	<u>\$ 4,515,510</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 22,292	\$ -	\$ 22,292
Due to other governmental units	52,382	-	52,382
Deferred revenue (Note 6)	3,657,928	-	3,657,928
Total liabilities	3,732,602	-	3,732,602
Fund Balances			
Reserved for:			
Cemetery maintenance	14,985	-	14,985
Public access improvements	22,159	-	22,159
Weed control	12,635	-	12,635
Housing grants	-	71,591	71,591
Unreserved:			
Designated for fire equipment and road improvements	553,091	-	553,091
Undesignated	108,447	-	108,447
Total fund balances	<u>711,317</u>	<u>71,591</u>	<u>782,908</u>
Total liabilities and fund balances	<u>\$ 4,443,919</u>	<u>\$ 71,591</u>	<u>\$ 4,515,510</u>

Township of Keeler

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended March 31, 2005

	General Fund	Small Cities Fund	Total Governmental Funds
Revenue			
Taxes	\$ 292,006	\$ -	\$ 292,006
Special assessments	426,910	-	426,910
Licenses and permits	45,906	-	45,906
State sources	174,497	-	174,497
Interest	5,746	-	5,746
Other	47,463	5,521	52,984
	<u>992,528</u>	<u>5,521</u>	<u>998,049</u>
Total revenue	992,528	5,521	998,049
Expenditures			
General government	202,506	-	202,506
Public safety	162,368	-	162,368
Debt service	428,748	-	428,748
Other	251,315	10,143	261,458
	<u>1,044,937</u>	<u>10,143</u>	<u>1,055,080</u>
Total expenditures	1,044,937	10,143	1,055,080
Net Change in Fund Balances	(52,409)	(4,622)	(57,031)
Fund Balances - April 1, 2004	<u>763,726</u>	<u>76,213</u>	<u>839,939</u>
Fund Balances - March 31, 2005	<u><u>\$ 711,317</u></u>	<u><u>\$ 71,591</u></u>	<u><u>\$ 782,908</u></u>

Township of Keeler

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Keeler, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Keeler, Michigan:

Reporting Entity

The Township of Keeler, Michigan is governed by an elected five-member board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The Township has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: property taxes, state-shared revenue, and interest associated with the current fiscal period. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Township of Keeler

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Township reports the following major governmental fund:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund type:

Special Revenue Fund - Small Cities Fund - The Special Revenue Fund is used to account for the proceeds of earmarked revenues or financing activities requiring separate accounting because of legal or regulatory provisions.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2004 ad valorem tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended March 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Township totaled \$92.5 million, on which ad valorem taxes levied consisted of .72690 mills for operating purposes, .90410 mills for roads, and .67810 mills for police. An additional .29430 mills was levied for street lights on a taxable valuation of \$47.7 million. This resulted in \$67,000 for operating, \$83,600 for roads, \$62,700 for police, and \$14,000 for street lights. These amounts are recognized in the General Fund financial statements as tax revenue.

The related expenditures for roads totaled \$182,872; the expenditures for police totaled \$76,209; and the expenditures for street lights totaled \$14,165. All amounts collected in previous years were expended in those years.

Township of Keeler

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." All property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	15 years
Buildings and building improvements	25-50 years
Vehicles	15-20 years
Equipment	5-10 years

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balance and the net change in fund balance of the Township's governmental funds differ from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the governmental funds balance sheet and statement of revenue, expenditures, and changes in fund balances. The following is a reconciliation of fund balances to net assets and the net change in fund balances to the net change in net assets:

Total Fund Balances - Modified Accrual Basis	\$ 782,908
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	222,606
Investment in joint venture is not a financial resource and not reported in the funds	5,202,104
Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures	3,657,928
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(4,102,000)</u>
Total Net Assets - Full Accrual Basis	<u>\$ 5,763,546</u>
Net Change in Fund Balances - Modified Accrual Basis	\$ (57,031)
Amounts reported in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Current year capital additions	39,646
Current year allocation of depreciation	(29,583)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(222,568)
Increase in investment in joint venture reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds	61,665
Principal payments on long-term liabilities are expensed on the fund statements	<u>256,375</u>
Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ 48,504</u>

Township of Keeler

Notes to Financial Statements March 31, 2005

Note 3 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at March 31, 2004		\$	(8,769)
Current year building permit revenue			45,906
Related expenses:			
Direct costs	\$	36,787	
Estimated indirect costs		<u>5,402</u>	<u>42,189</u>
Cumulative shortfall - March 31, 2005		\$	<u>(5,052)</u>

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the above except repurchase agreements.

The Township's deposits and investment policies are in accordance with statutory authority.

At year end, deposits totaling \$774,567 were reported in the basic financial statements as cash and cash equivalents.

Township of Keeler

Notes to Financial Statements March 31, 2005

Note 4 - Deposits and Investments (Continued)

Deposits

The bank balance of the Township's deposits is \$777,047, of which \$222,159 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 5 - Capital Assets

Capital asset activity of the Township's governmental activities was as follows:

	Balance March 31, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Governmental activities				
Capital assets not being depreciated -				
Land	\$ 27,889	\$ -	\$ -	\$ 27,889
Capital assets being depreciated:				
Land improvements	54,432	2,707	-	57,139
Buildings and improvements	98,231	-	-	98,231
Machinery and vehicles	373,276	36,939	-	410,215
Subtotal	525,939	39,646	-	565,585
Accumulated depreciation:				
Land improvements	51,708	428	-	52,136
Buildings and improvements	48,790	2,097	-	50,887
Machinery and vehicles	240,787	27,058	-	267,845
Subtotal	341,285	29,583	-	370,868
Net capital assets being depreciated	184,654	10,063	-	194,717
Net capital assets	<u>\$ 212,543</u>	<u>\$ 10,063</u>	<u>\$ -</u>	<u>\$ 222,606</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 7,940
Public safety	<u>21,643</u>
Total governmental activities	<u>\$ 29,583</u>

Township of Keeler

Notes to Financial Statements March 31, 2005

Note 6 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	<u>\$ 3,657,928</u>	<u>\$ -</u>

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Governmental activities - Sister Lakes Area Utilities Authority	4%-6%	12/31/2021	<u>\$ 4,358,375</u>	<u>\$ (256,375)</u>	<u>\$ 4,102,000</u>	<u>\$ 256,375</u>

The Sister Lakes Area Utilities Authority bonds represent financing of sewer improvements by the Sister Lakes Area Utilities Authority (the "Authority") that benefit specific districts (see Note 9); these districts are specially assessed, at least in part, for the cost of the improvements. At March 31, 2005, there is \$3,657,928 of special assessments receivable to cover the Township's portion of the debt.

Township of Keeler

Notes to Financial Statements March 31, 2005

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds are as follows:

	Governmental Activities		
	Principal	Interest	Total
2006	\$ 256,375	\$ 183,180	\$ 439,555
2007	256,375	172,925	429,300
2008	256,375	162,670	419,045
2009	256,375	152,223	408,598
2010	256,375	141,411	397,786
2011-2015	1,281,875	534,543	1,816,418
2016-2020	1,281,875	224,328	1,506,203
2021	256,375	6,409	262,784
Total	<u>\$ 4,102,000</u>	<u>\$ 1,577,689</u>	<u>\$ 5,679,689</u>

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all of those types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Joint Venture

In September 2000, the Township became a participant with the Township of Silver Creek in a joint venture to acquire, own, improve, enlarge, extend, and operate a water supply system, a sewage disposal system, or a solid waste management system for the residents of these communities. The Sister Lakes Area Utilities Authority was created for that purpose. Upon dissolution of the Authority, the net assets will be split, with approximately 40 percent to the Township of Keeler and 60 percent to Silver Creek Township.

The Sister Lakes Area Utilities Authority is governed by a board of five members consisting of two members each from Keeler and Silver Creek townships and the city manager of the City of Dowagiac (provider of the service).

Township of Keeler

Notes to Financial Statements March 31, 2005

Note 9 - Joint Venture (Continued)

In May 2001, Van Buren County issued bonds totaling \$11,625,000 for construction of the system. The Township has pledged its full faith and credit for repayment of 41.02 percent of this debt.

Complete financial statements for the Authority can be obtained at the Keeler Township Hall.

Note 10 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Township of Keeler has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Township has elected to implement only the general provisions of the statement in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Township's activities
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets includes assets totaling 593,474 that would previously have been reported in the General Fixed Assets Account Group.
- Capital assets at April 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$230,000 to reflect the historical cost of the Township's capital assets at that date.
- The governmental activities column includes bonds and other long-term obligations totaling \$4,102,000 previously reported in the General Long-term Debt Account Group.

Required Supplemental Information

Township of Keeler

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance
Revenue				
Taxes	\$ 274,200	\$ 346,805	\$ 292,006	\$ (54,799)
Licenses and permits	35,000	47,500	45,906	(1,594)
State sources	165,000	175,000	174,497	(503)
Interest	1,000	1,200	5,746	4,546
Other revenue	35,000	108,465	47,463	(61,002)
Total revenue	510,200	678,970	565,618	(113,352)
Expenditures				
General government:				
Township board	112,400	139,035	90,031	(49,004)
Supervisor	69,974	62,691	57,699	(4,992)
Elections	4,800	5,300	4,932	(368)
Clerk	19,000	19,000	18,753	(247)
Board of review	1,700	1,900	1,078	(822)
Treasurer	20,500	20,800	18,318	(2,482)
Township hall and grounds	17,500	18,000	11,695	(6,305)
Total general government	245,874	266,726	202,506	(64,220)
Public safety:				
Fire department	121,550	132,455	86,159	(46,296)
Police department	85,000	85,000	76,209	(8,791)
Total public safety	206,550	217,455	162,368	(55,087)
Other:				
Cemetery	11,900	11,900	10,222	(1,678)
Inspections	43,500	108,259	36,787	(71,472)
Street lights	14,500	14,500	14,165	(335)
Planning commission	17,200	17,200	5,945	(11,255)
Zoning board/zoning board of appeals	2,300	2,300	1,324	(976)
Road commission	200,000	200,000	182,872	(17,128)
Sewer authority - Net of special assessments collected	-	-	1,838	1,838
Total other	289,400	354,159	253,153	(101,006)
Total expenditures	741,824	838,340	618,027	(220,313)
Deficiency of Revenue Over Expenditures	(231,624)	(159,370)	(52,409)	106,961
Fund Balance - April 1, 2004	763,726	763,726	763,726	-
Fund Balance - March 31, 2005	<u>\$ 532,102</u>	<u>\$ 604,356</u>	<u>\$ 711,317</u>	<u>\$ 106,961</u>

Township of Keeler

Note to Required Supplemental Information March 31, 2005

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, except that special assessment revenue and the related debt service activity are not budgeted. All annual appropriations lapse at fiscal year end.

The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township did not have significant expenditure budget variances.



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Members of the Township Board
Township of Keeler
Hartford, Michigan 49057

In connection with our audit of the books and records of the Township of Keeler, Hartford, Michigan, for the year ended March 31, 2005, we would like to make the following comments:

NEW REPORT FORMAT

As you are probably aware, the format of this year's financial statements looks different than in years past. During 2005, the Township adopted the requirements of the new Governmental Accounting Standard Board Standard #34. Most noticeably, your financial statements begin with a new section, Management Discussion and Analysis. Other changes involve the equity portion of the Statement of Net Assets, format changes to both the Statement of Net Assets and Statement of Activities, and several changes to the Notes to Financial Statements. We would be happy to discuss these changes further with you at your convenience.

CAPITALIZATION POLICY

We recommend that the Township adopt a fixed asset capitalization policy. This policy would formalize the fixed asset definition included in Note 1 (page 10) of the financial statements. We have attached a sample policy that can be used.

We sincerely thank you and appreciate the courtesy and cooperation extended to us by you and members of the Township during the audit. We appreciate the opportunity to present these recommendations for your consideration and will be pleased to discuss them further at your convenience.

This report is intended solely for the information and use of the Township Board.

Plante & Moran, PLLC

July 19, 2005

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Sample Fixed Asset Capitalization Policy

TOWNSHIP OF _____ FIXED ASSET CAPITALIZATION POLICY

Adopted: _____ 20__

The Township of _____ will regard fixed assets as capitalized when all of the following criteria are met:

- (1) Assets purchased, built or leased have useful lives of one year or more.
- (2) The cost of the asset (including installation) is \$5,000 or more (*insert figure appropriate to township*). Multiple assets whose cost is less than \$5,000 but the aggregate requestor total is \$5,000 or more are capitalized.
- (3) The cost of repairing or renovating the asset is \$5,000 or more and prolongs the life of the asset.

The township will regard the purchase software programs as fixed assets subject to the above capitalization policy, and will amortize over an estimated useful life of 3 years. Costs associated with software maintenance and customer support are considered expenditures and will not be capitalized.

Other Considerations:

- (1) REPAIR is an expenditure that keeps the property in ordinary efficient operating condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair expenditures are charged to the appropriate department and fund.
- (2) IMPROVEMENTS are expenditures for additions, alterations and renovations that appreciably prolong the life of the asset, materially increase its value or adapt it to a different use. Improvements of the nature are capitalized.

Examples of Repairs vs. Improvements

Repairs = Expenditures

All items—life less than one year
All items under \$5,000
Property maintenance, wall repair
Replacement of machine parts to keep machine in normal operating condition
Property restoration (rebuilding) for normal operations
Existing building repairs
Replacement of small sections of wiring, pipes or light fixtures
Patching walls, minor repair of floors, painting, etc.
Patching driveways
Cleaning drapery, carpet, furniture

Improvements = Capitalized Assets

Life of more than one year
All items \$5,000 or more
Property rebuilding
Replacement of motor and parts that prolong the useful life
Property restoration for something different or better
Building regulation conformity
Major replacement of wiring, lighting, pipes or sewer
Installation of floor, wall, roof, wall-covering, etc.
New driveway or major repair
New drapery, carpets, furniture

Depreciation Method—Straight Line over the following useful lives:

Buildings	40-60 years
Building Improvement	15-30 years
Water and Sewer Lines	50-75 years
Roads	10-30 years, see State Recommendations attached
Infrastructure	See State Recommendations attached
Vehicles	3-5 years
Office Equipment	3-5 years
Computer Equipment	3-5 years

(Sample prepared by David Williamson, CPA, Post, Smythe, Lutz & Ziel, LLP, and MTA Staff. Used with permission.)